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Cowen & Co.

Power Integrations

February 3, 2006

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Solid Q4 Results With Outlook Upside; Irresolute CEC Muddies Waters Near-term

Conclusion: Yesterday Power Integrations reported in-line CQ4 sales and earnings. The March quarter mid-range sales outlook was above SG Cowen/Street expectations, and earnings guidance exceeded our forecast by a penny. We reiterate our bullish thesis on POWI shares, based on forthcoming worldwide energy efficiency initiatives that spur adoption of POWI's chips, together with an anticipated favorable outcome in the Fairchild lawsuit, where FCS may be forced to exit a large segment of the power supply converter IC market. Owing to steady profit growth, accelerating ROIC, and an attractive analog IC business model, we see 15-20% upside to POWI shares relative to the broader market over the next 12 months.

- **Positives.** 1) Record company revenue in Q4 up 13% y/y 2) Unit shipment growth of 20% y/y implying market share gains 3) Ongoing GM expansion (up 160 bps q/q) owing to improved operating efficiencies; GM now expected to be ~50% throughout 2006 4) Anticipated share gains in mobile phone and cordless phone applications 5) Ongoing sales momentum derived from Linkswitch, Tinyswitch and DPAswitch new product introductions

- **As disruptive as it might be, the California Energy Commission (CEC) is still accepting commentary to amend new energy efficiency requirements.** On Monday, Jan 30th, the CEC held a "workshop" to receive comments on industry concerns regarding recently amended Appliance Efficiency Regulations (AER) for external power supplies and other electronics products. This is extremely perplexing to us, because the 2006 AER are now "on-the-books" law in California (ie-the law of the land). We are unsure if the CEC will cave-in to an 11th-hour plea from certain electronics manufacturers to push-out or amend the new energy efficiency laws.

POWI (02/02)	**$26.16**
Mkt cap	**$803.1MM**
Dil shares out	30.7MM
Avg daily vol	349.1K
52-wk range	$18.2-28.3
Dividend	Nil
Dividend yield	Nil
BV/sh	$6.81
Net cash/sh	$4.26
Debt/cap	NA
ROIC (LTM)	20.3%
5-yr fwd EPS growth (Norm)	20.0%
S&P 500	**1270.8**

Revenue $MM

FY Dec	2005 Actual	2006E Prior	2006E Current	2007E Prior	2007E Current
Q1	34.4	36.5	38.0	—	44.0
Q2	35.3	38.5	39.0	—	46.2
Q3	36.5	—	45.0	—	47.5
Q4	37.9	—	45.0	—	50.2
Year	**144.1**	**165.0**	**167.0**	—	**187.9**
CY	—	—	—	—	—
EV/S	—	—	—	—	—

EPS* $

FY Dec	2005 Actual	2006E Prior	2006E Current	2007E Prior	2007E Current
Q1	0.15	0.15	0.16	—	0.25
Q2	0.16	0.16	0.18	—	0.27
Q3	0.18	0.27	0.26	—	0.28
Q4	0.18	0.27	0.26	—	0.32
Year	**0.68**	**0.85**	**0.86**	—	**1.12**
CY	—	—	—	—	—
P/E	—	—	30.4x	—	23.4x

*Adjusted EPS excludes amortization of deferred stock comp and intangibles, and other non-recurring gains and losses

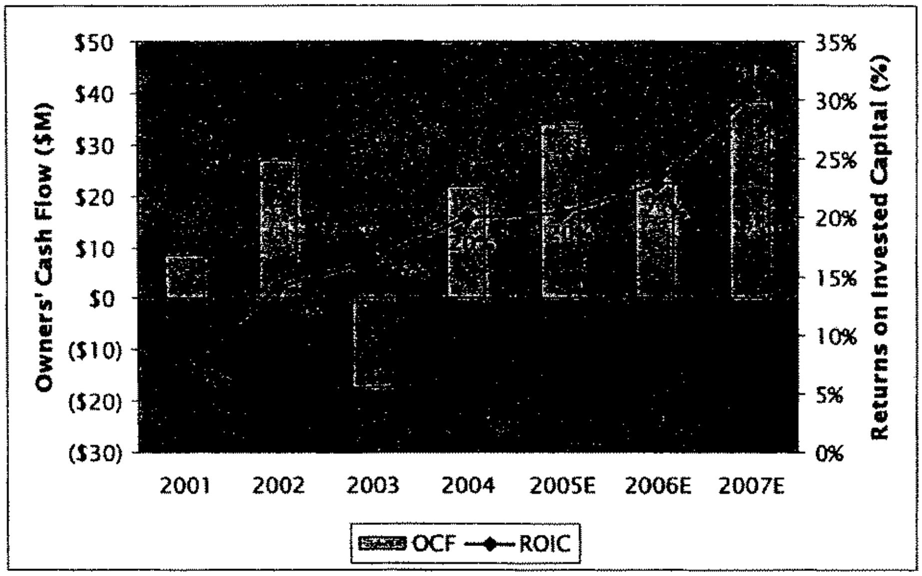
Please see addendum of this report for important disclosures.

Power Integrations Prior forecast as compared to updated forecast

POWI 02-Feb-06 December Year-End ($000s)	Prior Forecast			Current Forecast		
	Q4-E	Q1-E	2006E	Q4-A	Q1-E	2006
REVENUE	$38,000	$36,500	$165,000	$37,876	$38,000	$167,000
% Change Y/Y	13.2%	6.1%	14.4%	12.8%	10.4%	15.9%
% Change Q/Q	4.0%	-3.9%	NM	3.6%	0.3%	
TOTAL COGS	$19,000	$18,615	84150	$18,526	$18,810	$83,310
GROSS PROFIT	$19,000	$17,885	80850.0	$19,350	$19,190	$83,690
Gross Margin	50.0%	49.0%	49%	51.1%	50.5%	50%
R&D	$4,200	$4,200	$17,400	$4,048	$4,200	$17,400
% Sales	11.1%	11.5%	10.5%	10.7%	11.1%	10.4%
Sales & marketing	$4,300	$4,300	$17,800	$4,990	$4,900	$18,400
% Sales	11.3%	11.8%	10.8%	13.2%	12.9%	11.0%
G&A	$4,400	$4,400	$15,400	$4,801	$4,900	$17,300
% Sales	11.6%	12.1%	9.3%	12.7%	12.9%	10.4%
TOTAL OPEX	$12,900	$12,900	$50,600	$13,839	$14,000	$53,100
OPERATING PROFIT	$6,100	$4,985	$30,250	$5,511	$5,190	$30,590
Operating Margin	16.1%	13.7%	18.3%	14.6%	13.7%	18.3%
NET INTEREST	$900	$1,000	$4,000	$1,049	$1,000	$4,000
PRETAX PROFIT	$7,000	$5,985	$34,250	$6,560	$6,190	$34,590
% Sales	18.4%	16.4%	20.8%	17.3%	16.3%	20.7%
TAX PROVISION	$1,470	$1,257	$7,193	$1,107	$1,300	$7,264
Tax rate	21.0%	21.0%	21.0%	16.9%	21.0%	21.0%
ADJUSTED NET INCOME	$5,530	$4,728	$27,058	$5,453	$4,890	$27,326
Net Margin	14.6%	13.0%	16.4%	14.4%	12.9%	16.4%
DILUTED SHARES	31,000	31,400	31,750	30,654	31,000	$31,625
EPS, ADJUSTED [1]	**$0.18**	**$0.15**	**$0.85**	**$0.18**	**$0.16**	**$0.86**
EPS, GAAP	**$0.18**	**$0.15**	**$0.85**	**$0.18**	**$0.16**	**$0.86**

Source: SG Cowen & Co.

Power Integrations Owners' Cash Flow and ROIC Profile



Note: POWI's owner's cash flow in 2003 includes an approximately $30M CAPEX expenditure related to the purchase of the Company's San Jose facility. Absent this expenditure, owner's cash flow in 2003 would have been approximately $13M.

Source: Company Filings, SG Cowen & Co.

Baffling California Energy Commission (CEC) "Workshop" This Week Introduces Some Uncertainty to Nearer-term Catalysts

On Monday, January 30th, the CEC held a "workshop" to receive comments on industry concerns regarding the Appliance Efficiency Regulations for external power supplies and other consumer electronics products. This is extremely perplexing to us, because the 2006 Appliance Efficiency Regulations, (California Code of Regulations, Title 20, Sections 1601 through 1608) dated January 2006, were adopted by the California Energy Commission on October 19, 2005, and approved by the California Office of Administrative Law on December 30, 2005. **In other words, the updated Appliance Efficiency Regulations are now "on-the-books" law in California, aka the law of the land.**

As such, as it stands today in California, after July 1st 2006, it will be illegal to sell many electronics (such as cordless phones, mobile phones, and consumer/office electronics) that employ EXTERNAL LINEAR power supplies. This means that if electronics OEMs desire access to California's retail markets, they must adopt switching power supply solutions—either discrete or integrated—for a multitude of their products. **This is key, because Power Integrations' core business is integrated switching power supply ICs.** While many other energy efficiency initiatives of this type exist in the U.S. and around the world, the California regulatory initiative is a cornerstone catalyst for POWI shares over the next 6 months.

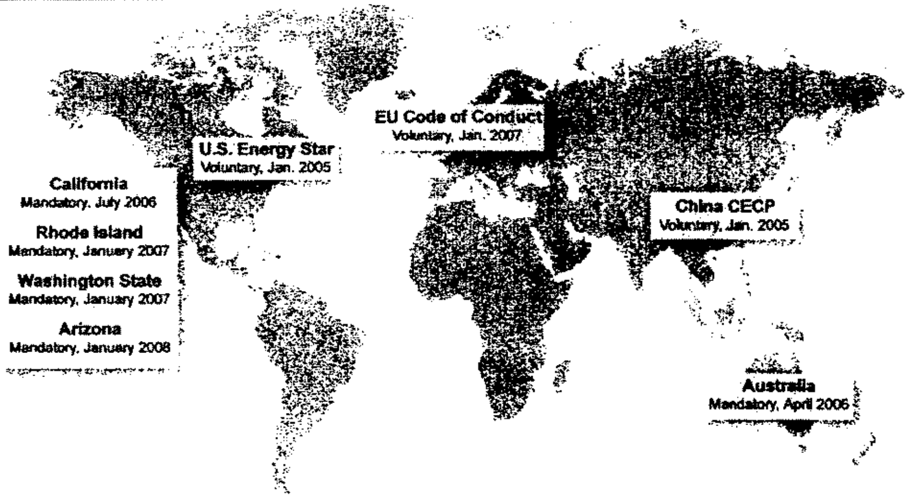
■ **For now as it relates to the CEC, we're in a holding pattern**

The CEC workshop solicited comments and proposed amendments related to:

- Should the requirement that external power supplies meet the efficiency standard at 230V be dropped?
- Should the active mode efficiency levels be decreased for low voltage (<15V) power supplies?
- Should the no load standby power level be increased to 1.5W for power supplies >50W with power factor correction?
- Should an exemption be created for external power supplies used for cordless phones?
- Should the effective date of the external power supplies standard be delayed beyond July 1, 2006?

The resolution of these matters is essential to our numbers for 2H06, which assume that the recently enacted law remains intact. At present, it is unclear to us when the CEC will make another "final" decision on this matter, but it must occur prior to July 1st.

Adoption of Standards for External Power Supplies is Mounting



Source: Company

In the U.S. there's an approximate annual market for internal and external power supplies of about 800 million. Of that number we estimate that approximately half of these devices are external linear power supplies. In California, with a 110 million annual power supply market, most new linear power supplies will be outlawed beginning in mid-2006, with tightening specifications beginning in 2008. Although POWI's ICs must always compete with discrete semiconductor power supply solutions, the California lawmaking alone drives an incremental $25 million to POWI's revenue opportunity. Also, as other states follow California's lead (legislative activity is ongoing in Washington State, Rhode Island and Arizona) amid extremely high oil prices, this could add another $180 million in total market opportunity in the U.S. alone. As other countries adopt similar measures (initiatives are gaining traction in Australia, Europe and China, as well as many other nations), the worldwide, incremental, energy efficient chip opportunity exceeds $800 million.

We Expect Power Integrations To Grow Market Share Through 2010

From 2005 to 2010, considering worldwide energy efficiency mandates driven by rising energy prices, we believe Power Integrations can grow its overall market penetration from 9.7% to 14.6% on a unit basis. With conservative end-market growth assumptions, we believe this secular market penetration—where Power Integrations' integrated switchers take share away from linear power supplies and discrete solutions—can drive low double digit revenue growth through 2010.

In 2010 we forecast $254 million in company sales—a 12% 5-year revenue CAGR. To achieve this business growth, the company must increase its market penetration in some of the larger end markets by the amounts described below. We think these share gain assumptions are reasonable, especially considering the secular global trend away from linear power supplies. Also owing to die shrinks and packaging cost reductions, we believe Power Integrations' parts are becoming increasingly cost-competitive as compared to discrete switcher solutions, which should further stimulate product uptake.

2005E-2010E Power Integrations Market Penetration Estimates

Market	2005E Market Penetration (%)	2010E Market Penetration (%)
Desktop Computers	35	40
LCD monitors/TVs	16	20
Mobile Phones	13	20
DVD players	9	10
White Goods	6	9
Cordless Phones	0	15

Source: SG Cowen & Co.

Power Integrations' overall growth and share gains by end-market will be driven by:

- **Desktop Computers**: Owing to existing 1 watt standby power initiatives for PCs, Power Integrations already occupies meaningful share of the worldwide PC market. Because of the mature nature of the market, we expect POWI to grow its share only modestly over the next 5 years.
- **LCD Monitors**: LCD monitors/TVs are taking share from CRTs (where POWI does not play owing to the high switching frequency of the POWI chip), and as LCDs proliferate, POWI's business should benefit. Owing to the requirement for smaller form-factors (think 20-inch and below LCDs), we believe integrated solutions will be preferred over discrete component switching solutions.
- **DVD Players**: Because of the mature market nature of the DVD player market, we don't anticipate much secular growth, and we forecast modest unit growth for the market as a whole. However, as portable players proliferate, this may drive a migration toward switching battery chargers.
- **Mobile Phones**: Because of poor energy-efficiency, coupled with higher weight and larger size, legacy, linear mobile phone chargers are being replaced by electronic switchers. Linear mobile phone chargers will be illegal in California in the months following July (so a migration to switchers is mandatory), and we

also expect Power Integrations to regain share at Samsung (100 million units where most already use switchers), when/if the company prevails in the Fairchild lawsuit.

- **White Goods**: Traditional white goods, such as washers/dryers, dishwashers, and refrigerators are migrating from analog control (remember the clicking timers) to digital interfaces, and this is driving adoption of POWI's ICs.
- **Cordless Phones**: At present most all cordless phones worldwide are accompanied by large, linear power supplies. However, we believe cordless phone chargers are in the cross hairs of government mandates in the U.S. and E.U., particularly because of the large unit volumes. Similar to mobile phones, linear chargers for cordless phones will be illegal in California in 2H06.

Power Integrations - Bottom-Up Model by End-Market

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Communications End-Market								
Units sold (in millions)	111.5	112.1	136.3	177.4	209.2	240.7	301.1	**21.8%**
ASP	$0.38	$0.36	$0.34	$0.33	$0.32	$0.30	$0.28	
Total Revenue (in millions)	$42.36	$40.36	$46.33	$58.55	$66.96	$72.21	$84.31	**15.8%**
Yr./Yr. Growth	NA	*-5%*	*15%*	*26%*	*14%*	*8%*	*17%*	
% of Total Revenue	*31%*	*28%*	*28%*	*31%*	*32%*	*31%*	*33%*	
Computer End-Market								
Units sold (in millions)	69.9	82.9	92.3	99.4	108.7	124.2	135.9	**10.4%**
ASP	$0.43	$0.40	$0.38	$0.36	$0.34	$0.32	$0.30	
Total Revenue (in millions)	$30.06	$33.15	$35.07	$35.80	$36.94	$39.76	$40.77	**4.0%**
Yr./Yr. Growth	NA	*10%*	*6%*	*2%*	*3%*	*8%*	*3%*	
% of Total Revenue	*22%*	*23%*	*21%*	*19%*	*18%*	*17%*	*16%*	
Consumer End-Market								
Units sold (in millions)	83.5	83.2	103.4	120.3	137.3	162.1	185.9	**17.4%**
ASP	$0.54	$0.52	$0.49	$0.48	$0.47	$0.46	$0.45	
Total Revenue (in millions)	$45.09	$43.24	$50.68	$57.75	$64.52	$74.58	$83.66	**14.1%**
Yr./Yr. Growth	NA	*-4%*	*17%*	*14%*	*12%*	*16%*	*12%*	
% of Total Revenue	*33%*	*30%*	*30%*	*31%*	*31%*	*32%*	*33%*	
Industrial End-Market								
Units sold (in millions)	19.2	26.2	31.4	35.3	41.0	45.0	46.4	**12.1%**
ASP	$0.57	$0.55	$0.53	$0.51	$0.50	$0.49	$0.48	
Total Revenue (in millions)	$10.93	$14.41	$16.64	$17.99	$20.49	$22.06	$22.26	**9.1%**
Yr./Yr. Growth	NA	*32%*	*15%*	*8%*	*14%*	*8%*	*1%*	
% of Total Revenue	*8%*	*10%*	*10%*	*10%*	*10%*	*10%*	*9%*	
Other Misc. End-Markets								
Units sold (in millions)	16.1	26.5	37.3	37.9	42.2	46.8	51.7	**14.3%**
ASP	$0.51	$0.49	$0.48	$0.47	$0.46	$0.45	$0.44	
Total Revenue (in millions)	$8.20	$12.97	$18.27	$17.79	$19.40	$21.06	$22.75	**11.8%**
Yr./Yr. Growth	NA	*58%*	*41%*	*-3%*	*9%*	*9%*	*8%*	
% of Total Revenue	*6%*	*9%*	*11%*	*9%*	*9%*	*9%*	*9%*	
Total Units Sold by POWI (in millions)	**300.1**	**330.8**	**400.7**	**470.3**	**538.3**	**618.9**	**721.0**	**16.8%**
Yr./Yr. Growth	***NA***	***10.2%***	***21.1%***	***17.4%***	***14.5%***	***15.0%***	***16.5%***	
Total Market Oppty. Units (in millions)	**3,154**	**3,427**	**3,793**	**4,098**	**4,380**	**4,656**	**4,954**	**7.6%**
Yr./Yr. Growth	***NA***	***8.7%***	***10.7%***	***8.1%***	***6.9%***	***6.3%***	***6.4%***	
POWI Market Penetration %	**9.5%**	**9.7%**	**10.6%**	**11.5%**	**12.3%**	**13.3%**	**14.6%**	
POWI ASP across end-markets	**$0.46**	**$0.44**	**$0.42**	**$0.40**	**$0.39**	**$0.37**	**$0.35**	
Yr./Yr. ASP erosion	***NA***	***-4.3%***	***-4.3%***	***-4.1%***	***-3.1%***	***-4.1%***	***-5.2%***	
Total POWI Revenue (in millions)	**$136.6**	**$144.1**	**$167.0**	**$187.9**	**$208.3**	**$229.7**	**$253.7**	**11.9%**
Yr./Yr. Growth		***5.5%***	***15.9%***	***12.5%***	***10.9%***	***10.3%***	***10.5%***	

Source: SG Cowen & Co.

Comparable Company Analysis

Semiconductor Companies Comparable Valuation Table

($ in millions, except per share data)		Price 2/2/06	Market Value (1)	Enterprise Value (2)	EV/Rev CY05E	EV/Rev CY06E	P/E CY05E	P/E CY06E
Advanced Analogic Technologies	AATI	$15.13	$709	$585	8.6x	6.0x	NM	34.9x
Amis Holdings Inc	AMIS	$10.27	$905	$1,146	2.3x	1.9x	16.8x	14.3x
Cirrus Logic	CRUS	$8.33	$734	$505	2.8x	2.5x	44.3x	20.9x
ESS Technology Inc.	ESST	$3.65	$145	$38	0.2x	0.2x	NM	NM
Genesis Microchip Inc.	GNSS	$19.06	$711	$536	2.0x	1.7x	24.8x	19.6x
Linear Technology Corp.	LLTC	$36.32	$11,325	$9,483	9.2x	8.0x	26.7x	25.2x
Maxim Integrated Products Inc.	MXIM	$40.28	$13,502	$11,917	7.1x	5.8x	26.2x	21.5x
Micrel Semiconductor	MCRL	$14.51	$1,278	$1,137	4.5x	3.9x	40.3x	27.4x
Microsemi Corp.	MSCC	$31.01	$2,095	$1,982	6.4x	5.6x	39.6x	27.8x
National Semiconductor	NSM	$27.74	$10,095	$9,101	4.7x	4.3x	28.2x	25.1x
O2Micro International Ltd	OIIM	$12.13	$490	$358	3.4x	2.8x	60.7x	25.3x
PIXELWORKS, Inc.	PXLW	$4.58	$218	$220	1.3x	1.0x	NM	NM
PortalPlayer, Inc.	PLAY	$28.35	$730	$551	2.4x	1.6x	17.2x	15.3x
Power Integrations	**POWI**	**$26.16**	**$802**	**$671**	**4.7x**	**4.0x**	**38.5x**	**30.3x**
SigmaTel Inc.	SGTL	$10.50	$405	$286	0.9x	1.0x	8.0x	42.2x
Semtech Corp.	SMTC	$19.55	$1,494	$1,237	5.2x	4.7x	34.5x	28.5x
Silicon Laboratories	SLAB	$47.79	$2,686	$2,330	5.5x	5.0x	39.8x	33.6x
ZILOG	ZILG	$2.41	$39	$18	0.2x	0.2x	NM	NM
Zoran Corporation	ZRAN	$20.84	$982	$844	2.1x	1.8x	35.8x	24.5x
AVERAGE					3.9x	3.3x	32.1x	26.0x

(1) Market value is defined as the current stock price times the number of fully diluted shares outstanding.
(2) Enterprise value is defined as fully diluted market value plus debt, plus minority interests, plus preferred stock, less cash and cash equivalents.

Except for AMIS, ESST, GNSS, OIIM & PXLW, all ratios are based on SG Cowen estimates.
Source: First Call, Company Filings, SG Cowen & Co.

Power Integrations is Suing Fairchild Semiconductor. We Think POWI Will Prevail.

In 3Q03 Fairchild Semiconductor announced that it had commenced shipping its branded Power Switch ICs into certain battery charger platforms to accompany Samsung mobile handsets. Prior to this, Power Integrations garnered 100% of Samsung's handset charger business (100 million-plus units a year), where most all Samsung chargers are integrated switchers (vs. linear models). In Q404 after extensive diligence, Power Integrations' filed suit against Fairchild claiming patent infringement. We are inclined to think that the Fairchild case is similar in nature to prior litigation that POWI initiated against ON Semiconductor (then MOT) in 1999, wherein POWI was awarded monetary damages of $32 million. The 1999 outcome was also a meaningful boon to POWI's competitive positioning within the industry.

At present, we believe Fairchild's Power Switch likely infringes Power Integrations' IP, and we think that these products currently cause POWI to forego approximately $10 million per year in sales. We expect a favorable jury verdict in 3Q06, with POWI receiving both monetary damages and injunctive relief. As a point of comparison, had the company not lost a large part of the Samsung business to Fairchild, POWI would likely have grown revenue about 13% in 2005, as compared to 6% sales growth.

Power Integrations has two noteworthy intellectual property advantages over its competitors. One is circuit/system specific and the other is device structure specific. We believe that Power Integrations is the only company that can legally produce power supply controller ICs with as few as three terminals (pins), forcing competitors to use less efficient and more expensive "work-arounds" to accomplish similar functionality. Power Integrations' chips also make multiple uses of the same pins, lowering total pin count and packaging costs.

Power Integrations' products integrate a high-voltage MOS field-effect transistor (HVMOSFET) with extensive power supply controller circuitry. While forgoing the engineering explanation, it is desirable to construct an HVMOSFET having a high breakdown voltage and a low "on-state" resistance. To accomplish this, many companies utilize a BCDMOS manufacturing process, which enables a monolithic IC solution (high voltage and low voltage transistors on the same chip). However, monolithic chips employing this method are more expensive to manufacture, and competing ICs require more high voltage transistor silicon area. Here, Power Integrations uses a patented transistor structure founded on buried, multiple lateral conduction layers, which we believe offers an important cost advantage. In essence Power Integrations' IP allows for a more compact HVMOSFET transistor, manufactured using a standard CMOS process. This proprietary device structure, coupled with the ability to employ a standard digital CMOS process (5V one metal, one poly CMOS, using 11 masks at 3 micron) significantly reduces the chip area, which lowers costs by allowing more ICs per wafer. Power Integrations' device structure patents have been successfully upheld, most recently in the context of Infineon.

Competition Summary

Power Integrations faces competition on three fronts—from linear transformer power supplies, from discrete electronics switched-mode power supplies, and from vertically-integrated competitors seeking to mimic Power Integrations' products.

Linear power supplies (LPS). For low-power charger applications, LPS still dominate the worldwide market, due to historically low cost, and the absence of competition from an integrated chip solution. However, the advantages of the LPS have eroded considerably. Recently, the cost of a LPS has risen substantially due to increasing copper and iron prices. Also, the 2002 introduction of Power Integrations' LinkSwitch product offered the first cost-competitive alternative to low power linears. Here, we believe LinkSwitch has "category killer" potential. Due to the inherent size and efficiency benefits of integrated electronic switchers, we believe the secular decline experienced by LPS should accelerate dramatically over the next few years.

Discrete electronics switched-mode power supplies (SMPS). Non-integrated, or discrete electronics SMPS, have steadily taken market share from LPS over the past several decades, especially at higher power levels. However, these devices have a high parts count, and are less efficient than power supplies that employ power conversion ICs. In steady fashion, SMPS using power conversion ICs are proliferating. This is largely driven by the rise in discrete semiconductor prices as well as lengthening transistor lead times. In this context, Power Integrations' ICs are generally at price parity with discrete solutions, while offering easier designs and enhanced features.

(Not so) fast followers. Power Integrations is experiencing competition from hybrid chips (ICs with separate transistor die and controller die in the same package), as well as monolithic solutions similar to TOPSwitch. Current competitors include ON Semiconductor, ST Microelectronics, Fairchild Semiconductor, Infineon, and Philips. We believe that the most interesting competitors are Fairchild and ST Microelectronics, due to their level of chip integration and growing customer base. It is noteworthy that Fairchild purchased Samsung's Semiconductor Power Device Division in 1999, which enabled the company to gain some traction at Samsung and Samsung's merchant power supply vendors (e.g. Dong Yang).

Competitor	Product Family
Fairchild Semiconductor	Green FPS Family, FSDH0165 chip, hybrid and monolithic solutions, BCDMOS
ST Microelectronics	VIPer Family; 12A & 22A chips; monolithic solution
ON Semiconductor	GreenLine Family; monolithic solution;
Philips	GreenChip controller; requires external MOSFET, BCDMOS
Infineon	CoolSET Family;

Power Integrations Annual Adjusted Income Statement

POWI 02-Feb-06 December Year-End ($000s)	2001	2002	2003	2004	2005	2006E	2007E
REVENUE	$94,095	$108,184	$125,706	$136,636	$144,134	$167,000	$187,882
% Change Y/Y	NA	15.0%	16.2%	8.7%	5.5%	15.9%	12.5%
TOTAL COGS	$51,252	$60,723	$62,814	$71,409	$72,813	$83,310	$95,820
GROSS PROFIT	$42,843	$47,461	$62,892	$65,227	$71,321	$83,690	$92,062
Gross Margin	45.5%	43.9%	50.0%	47.7%	49.5%	50.1%	49.0%
R&D	$14,471	$14,705	$16,443	$16,162	$16,355	$17,400	$17,600
% Sales	15.4%	13.6%	13.1%	11.8%	11.3%	10.4%	9.4%
Sales & marketing	$14,485	$14,537	$15,484	$15,273	$17,689	$18,400	$18,000
% Sales	15.4%	13.4%	12.3%	11.2%	12.3%	11.0%	9.6%
G&A	$5,980	$6,203	$6,848	$8,102	$14,603	$17,300	$14,000
% Sales	6.4%	5.7%	5.4%	5.9%	10.1%	10.4%	7.5%
TOTAL OPEX	$34,936	$35,445	$38,775	$39,537	$48,647	$53,100	$49,600
OPERATING PROFIT	$7,907	$12,016	$24,117	$25,690	$22,674	$30,590	$42,462
Operating Margin	8.4%	11.1%	19.2%	18.8%	15.7%	18.3%	22.6%
NET INTEREST	$1,749	$1,665	$1,002	$1,054	$3,367	$4,000	$4,600
PRETAX PROFIT	$9,656	$13,681	$25,119	$26,744	$26,041	$34,590	$47,062
% Sales	10.3%	12.6%	20.0%	19.6%	18.1%	20.7%	25.0%
TAX PROVISION	$2,930	$4,103	$7,033	$6,377	$5,141	$7,264	$9,883
Tax rate	30.3%	30.0%	28.0%	23.8%	19.7%	21.0%	21.0%
ADJUSTED NET INCOME	$6,726	$9,578	$18,086	$20,367	$20,900	$27,326	$37,179
Net Margin	7.1%	8.9%	14.4%	14.9%	14.5%	16.4%	19.8%
AVE. DILUTED SHARES	28,991	29,503	31,812	32,414	30,792	31,625	33,250
EPS, ADJUSTED [1]	**$0.23**	**$0.32**	**$0.57**	**$0.63**	**$0.68**	**$0.86**	**$1.12**
EPS, GAAP	**$0.23**	**$0.32**	**$0.57**	**$0.63**	**$0.68**	**$0.86**	**$1.12**

(1) Adjusted EPS exclude amortization of deferred stock comp. and intangibles, and non-recurring gains/losses

Source: Company Filings, SG Cowen & Co.

Power Integrations Quarterly Adjusted Income Statement

POWI 02-Feb-06 December Year-End ($000s)	2004				2005				2006E				2007E			
	Q1-A	Q2-A	Q3-A	Q4-A	Q1-A	Q2-A	Q3-A	Q4-A	Q1-E	Q2-E	Q3-E	Q4-E	Q1-E	Q2-E	Q3-E	Q4-E
REVENUE	$34,165	$35,944	$32,946	$33,581	$34,416	$35,299	$36,543	$37,876	$38,000	$39,000	$45,000	$45,000	$44,000	$46,200	$47,500	$50,182
% Change Y/Y	17.4%	20.6%	-4.6%	4.0%	0.7%	-1.8%	10.9%	12.8%	10.4%	10.5%	23.1%	18.8%	15.8%	18.5%	5.6%	11.5%
% Change Q/Q	5.8%	5.2%	-8.3%	1.9%	2.5%	2.6%	3.5%	3.6%	0.3%	2.6%	15.4%	0.0%	-2.2%	5.0%	2.8%	5.6%
TOTAL COGS	$17,473	$19,392	$17,188	$17,356	$17,779	$18,045	$18,463	$18,526	$18,810	$19,500	$22,500	$22,500	$22,440	$23,562	$24,225	$25,593
GROSS PROFIT	$16,692	$16,552	$15,758	$16,225	$16,637	$17,254	$18,080	$19,350	$19,190	$19,500	$22,500	$22,500	$21,560	$22,638	$23,275	$24,589
Gross Margin	48.9%	46.0%	47.8%	48.3%	48.3%	48.9%	49.5%	51.1%	50.5%	50.0%	50.0%	50.0%	49.0%	49.0%	49.0%	49.0%
R&D	$4,152	$4,088	$4,096	$3,826	$4,098	$4,104	$4,105	$4,048	$4,200	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400	$4,400
% Sales	12.2%	11.4%	12.4%	11.4%	11.9%	11.6%	11.2%	10.7%	11.1%	11.3%	9.8%	9.8%	10.0%	9.5%	9.3%	8.8%
Sales & marketing	$4,112	$3,943	$3,412	$3,806	$4,018	$4,263	$4,418	$4,990	$4,900	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500
% Sales	12.0%	11.0%	10.4%	11.3%	11.7%	12.1%	12.1%	13.2%	12.9%	11.5%	10.0%	10.0%	10.2%	9.7%	9.5%	9.0%
G&A	$1,579	$2,049	$2,382	$2,092	$2,777	$2,933	$4,092	$4,801	$4,900	$4,400	$4,000	$4,000	$3,500	$3,500	$3,500	$3,500
% Sales	4.6%	5.7%	7.2%	6.2%	8.1%	8.3%	11.2%	12.7%	12.9%	11.3%	8.9%	8.9%	8.0%	7.6%	7.4%	7.0%
TOTAL OPEX	$9,843	$10,080	$9,890	$9,724	$10,893	$11,300	$12,615	$13,839	$14,000	$13,300	$12,900	$12,900	$12,400	$12,400	$12,400	$12,400
% Sales	28.8%	28.0%	30.0%	29.0%	31.7%	32.0%	34.5%	36.5%	36.8%	34.1%	28.7%	28.7%	28.2%	26.8%	26.1%	24.7%
% Change Q/Q	6.1%	2.4%	-1.9%	-1.7%	12.0%	3.7%	11.6%	9.7%	1.2%	-5.0%	-3.0%	0.0%	-3.9%	0.0%	0.0%	0.0%
OPERATING PROFIT	$6,849	$6,472	$5,868	$6,501	$5,744	$5,954	$5,465	$5,511	$5,190	$6,200	$9,600	$9,600	$9,160	$10,238	$10,875	$12,189
Operating Margin	20.0%	18.0%	17.8%	19.4%	16.7%	16.9%	15.0%	14.6%	13.7%	15.9%	21.3%	21.3%	20.8%	22.2%	22.9%	24.3%
NET INTEREST	$259	$131	$339	$325	$654	$725	$939	$1,049	$1,000	$1,000	$1,000	$1,000	$1,100	$1,100	$1,200	$1,200
PRETAX PROFIT	$7,108	$6,603	$6,207	$6,826	$6,398	$6,679	$6,404	$6,560	$6,190	$7,200	$10,600	$10,600	$10,260	$11,338	$12,075	$13,389
% Sales	20.8%	18.4%	18.8%	20.3%	18.6%	18.9%	17.5%	17.3%	16.3%	18.5%	23.6%	23.6%	23.3%	24.5%	25.4%	26.7%
TAX PROVISION	$1,990	$1,575	$502	$2,310	$1,663	$1,632	$739	$1,107	$1,300	$1,512	$2,226	$2,226	$2,155	$2,381	$2,536	$2,812
Tax rate	28.0%	23.9%	8.1%	33.8%	26.0%	24.4%	11.5%	16.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
ADJUSTED NET INCOME	$5,118	$5,028	$5,705	$4,516	$4,735	$5,047	$5,665	$5,453	$4,890	$5,688	$8,374	$8,374	$8,105	$8,957	$9,539	$10,578
Net Margin	15.0%	14.0%	17.3%	13.4%	13.8%	14.3%	15.5%	14.4%	12.9%	14.6%	18.6%	18.6%	18.4%	19.4%	20.1%	21.1%
DILUTED SHARES	32,757	32,598	31,994	31,865	30,907	30,876	30,731	30,654	31,000	31,500	32,000	32,000	33,000	33,000	33,500	33,500
EPS, ADJUSTED [1]	$0.16	$0.15	$0.18	$0.14	$0.15	$0.16	$0.18	$0.18	$0.16	$0.18	$0.26	$0.26	$0.25	$0.27	$0.28	$0.32
EPS, GAAP	$0.16	$0.15	$0.18	$0.14	$0.15	$0.16	$0.18	$0.18	$0.16	$0.18	$0.26	$0.26	$0.25	$0.27	$0.28	$0.32
ANNUAL VALUES:				2004				2005				2006E				2007E
ANNUAL REVENUE				$136,636				$144,134				$167,000				$187,882
GROWTH Y/Y				6.7%				5.5%				15.9%				12.5%
ADJUSTED NET INCOME				$20,367				$20,900				$27,326				$37,179
GROWTH Y/Y				12.6%				2.6%				30.7%				36.1%
EPS, ADJUSTED [1]				$0.63				$0.68				$0.86				$1.12
EPS, GAAP				$0.63				$0.68				$0.86				$1.12
Book Value per share	$6.15	$6.39	$6.77	$6.67	$6.46	$6.45	$6.76	$6.81	$6.89	$6.98	$7.20	$7.46	$7.47	$7.77	$7.95	$8.29
Net Cash Per share	$3.77	$4.14	$4.50	$4.22	$3.97	$4.02	$3.96	$4.26	$4.17	$4.29	$4.49	$4.78	$4.91	$5.18	$5.40	$5.71

(1) Adjusted EPS excludes amortization of deferred stock comp and intangibles, and non-recurring gains and losses

Source: Company Filings, SG Cowen & Co.

Power Integrations Reconciliation of Adjusted Net Income to GAAP Net Income

POWI 02-Feb-06 December Year-End ($000s)	2000	2001	2002	2003	2004	2005	Q1-E	Q2-E	Q3-E	Q4-E	2006E	2007E
Adjusted Net Income (1)		$6,726	$9,578	$18,086	$20,367	$20,900	$4,890	$5,688	$8,374	$8,374	$27,326	$37,179
Amortization		-	-	-	-	-	-	-	-	-	-	-
Gains/losses on investments		-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-
Net Income, GAAP	$19,765	$6,726	$9,578	$18,086	$20,367	$20,900	$4,890	$5,688	$8,374	$8,374	$27,326	$37,179
Adjusted share count		28,991	29,503	31,812	32,414	30,792	31,000	31,500	32,000	32,000	31,625	33,250
GAAP share count												
EPS, GAAP	$0.69	$0.23	$0.32	$0.57	$0.63	$0.68	$0.16	$0.18	$0.26	$0.26	$0.86	$1.12

(1) Adjusted net income excludes amortization of deferred stock comp. and intangibles, and non-recurring gains and losses

Source: Company Filings, SG Cowen & Co.

Power Integrations Statement of Cash Flows

POWI 02-Feb-06
December Year-End

($000s)	2001	2002	2003	2004	2005E	2006E	2007E
Net income (loss)	$6,726	$9,578	$18,086	$20,367	$20,900	$27,326	$37,179
Adjustments to reconcile net income (loss) to cash provided by operating activities:							
Depreciation and amortization	6,944	6,684	6,846	6,880	6,830	8,350	9,394
Amortization of deferred compensation	41	147	135	-	-	-	-
Deferred income taxes	708	(718)	191	72	(10)	-	-
Deferred rent	441	284	(725)	-	-	-	-
Provision for A/R and other allowances	1,119	155	688	456	76	-	-
Tax benefit associated with employee stock plans	2,232	1,654	6,841	4,082	1,007	-	-
Stock compensation to non-employees	-	-	-	37	8	-	-
Changes in operating assets and liabilities:							
Accounts receivable	2,946	(3,553)	(2,492)	(2,360)	(1,334)	(7,983)	(2,473)
Inventories	(2,023)	8,594	(8,085)	(2,241)	6,913	(4,372)	(3,136)
Deferred Income Taxes	-	-	-	-	2,927	(206)	(150)
Prepaid expenses and other current assets	3,092	(146)	(2,909)	295	495	(389)	(283)
Accounts payables	(2,849)	3,086	191	694	(3,818)	1,171	856
Accrued Payroll and employee benefits	-	-	-	-	1,869	1,138	828
Taxes payable and other accrued	(2,386)	4,849	1,773	1,336	2,060	1,717	1,249
Deferred income on shipments to distributors	(768)	920	(153)	493	421	654	476
Cash provided by (used in) operating activities	$16,223	$31,534	$20,387	$30,111	$38,344	$27,407	$43,941
Cash flow from investing activities:							
Capital expenditures	(7,629)	(4,510)	(37,787)	(8,135)	(4,504)	(5,010)	(5,636)
Purchases of securities	(30,750)	(42,325)	(6,210)	(29,182)	(6,806)	-	-
Sales and maturities of securities	42,998	25,173	33,037	19,270	11,271	-	-
Note to supplier	-	-	-	-	(10,000)	-	-
Cash provided by (used in) investing activities	$4,619	($21,662)	($10,960)	($18,047)	($10,039)	($5,010)	($5,636)
Cash flow from financing activities:							
Payments related to capital lease	(678)	(441)	(233)	(41)	-	-	-
Proceeds receivable from stockholders	38	38	-	-	-	-	-
Proceeds from issuance of common stock	5,477	5,914	23,554	9,099	6,973	-	-
Repurchase of common stock	-	-	-	(11,797)	(28,305)	-	-
Cash provided by (used in) financing activities	$4,837	$5,511	$23,321	($2,739)	($21,332)	$0	$0
Net change in cash and cash equivalents	$25,679	$15,383	$32,748	$9,325	$6,973	$22,397	$38,305

SG Cowen Cash Flow Summary And Analysis	2001	2002	2003	2004	2005E	2006E	2007E
Cash flow from operations	16,223	31,534	20,387	30,111	38,344	27,407	43,941
minus net capital expenditures equals	(7,629)	(4,510)	(37,787)	(8,135)	(4,504)	(5,010)	(5,636)
Owners' cash flow [(1)]	$8,594	$27,024	($17,400)	$21,976	$33,840	$22,397	$38,305
	9.1%	25.0%	-13.8%	16.1%	23.5%	13.4%	20.4%
Investing adjustments	12,248	(17,152)	26,827	(9,912)	(5,535)	-	-
Financing adjustments	(7,411)	22,663	(3,507)	7,173	($32,361)	-	-
Net change in cash, cash equivalents, and securities	$13,431	$32,535	$5,920	$19,237	($4,056)	$22,397	$38,305
Beginning cash, cash equivalents, and securities	$63,434	$76,865	$109,400	$115,320	$134,557	$130,501	$152,898
Ending cash, cash equivalents, and securities	$76,865	$109,400	$115,320	$134,557	$130,501	$152,898	$191,203

(1) Owner's cash flow in 2003 includes an approximately $30M CAPEX expenditure related to the purchase of the Company's San Jose facility. Absent this expenditure, Owner's cash flow in 2003 would have been approximately $13M.

Source: Company Filings, SG Cowen & Co.

SG
Cowen & Co.

Power Integrations Balance Sheet

POWI 02-Feb-06 December Year-End ($000s)	2001 Q4	2002 Q4	2003 Q4	2004 Q4	2005 Q4-A	Q1-E	Q2-E	Q3-E	2006E Q4-E	2007E Q4-E
Cash, cash equivalents, and securities	76,865	109,400	115,320	134,557	130,501	$129,361	135,179	143,624	152,898	191,203
Accounts receivable, net	5,124	8,522	10,326	12,230	13,488	17,123	17,574	21,471	21,471	23,943
Inventories, net	23,622	15,028	23,113	25,354	18,441	21,796	22,595	22,813	22,813	25,948
Deferred income taxes	5,346	6,064	4,275	4,205	1,095	1,099	1,127	1,301	1,301	1,451
Prepaid expenses and other current assets	1,526	1,672	3,086	2,600	2,067	2,074	2,128	2,456	2,456	2,739
Total current assets	$112,483	$140,686	$156,120	$178,946	$165,592	$171,452	$178,604	$191,664	$200,938	$245,284
Property, plant and equipment, net	23,182	21,008	51,949	51,718	48,635	47,875	47,095	46,195	45,295	41,537
Intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	1,598	1,596	4,274	4,274	4,274	4,274	4,274	4,274
Other assets, net	-	-	1,495	3,172	14,014	14,060	14,430	16,650	16,650	18,567
Total assets	$135,665	$161,694	$211,162	$235,432	$232,515	$237,661	$244,403	$258,783	$267,157	$309,663
Accounts payable	4,641	7,727	7,918	8,612	5,059	5,208	5,399	6,230	6,230	7,086
Accrued salaries and employee benefits	3,164	4,389	5,310	4,672	6,049	6,069	6,229	7,187	7,187	8,014
Income taxes payable and other accrued	1,604	5,228	4,610	6,578	9,130	9,160	9,401	10,847	10,847	12,096
Current portion of capitalized lease	440	233	41	-	-	-	-	-	-	-
Deferred income on shipments to distributors	1,798	2,718	2,565	3,058	3,479	3,490	3,582	4,133	4,133	4,609
Total current liabilities	$11,647	$20,295	$20,444	$22,920	$23,717	$23,927	$24,611	$28,397	$28,397	$31,806
Other liabilities	-	-	-	-	-	-	-	-	-	-
Capital lease and deferred rent liability	716	766	-	-	-	-	-	-	-	-
Total liabilities	$12,363	$21,061	$20,444	$22,920	$23,717	$23,927	$24,611	$28,397	$28,397	$31,806
Total stockholders' equity	$123,302	$140,633	$190,718	$212,512	$208,798	$213,734	$219,792	$230,386	$238,760	$277,857
Total liabilities and stockholders' equity	$135,665	$161,694	$211,162	$235,432	$232,515	$237,661	$244,403	$258,783	$267,157	$309,663

Source: Company Filings, SG Cowen & Co.

Power Integrations ROIC Analysis

POWI 02-Feb-06 ($000s)	2001	2002	2003	2004	2005	2006E	2007E
Adjusted EBIT:	$7,907	$12,016	$24,117	$25,690	$22,674	$30,590	$42,462
+Implied interest from operating leases	1,700	2,200	1,200	-	-	-	-
+Increase in LIFO reserve	-	-	-	-	-	-	-
+Increase in bad debt reserve	-	-	-	-	-	-	-
+Increase in net capitalized R&D	-	-	-	-	-	-	-
Amortization (adjusted EBIT excludes amortization)	-	-	-	-	-	-	-
Adjusted Operating Profit Before Taxes	$9,607	$14,216	$25,317	$25,690	$22,674	$30,590	$42,462
Income tax expense:	$2,930	$4,103	$7,033	$6,377	$5,141	$7,264	$9,883
- Increase in deferred tax liabilities	-	-	-	-	-	-	-
+ Increase in deferred tax assets	-	-	-	-	-	-	-
+ Tax benefit from interest expense	-	-	-	-	-	-	-
-Tax expense from interest income	(612)	(583)	(351)	(369)	(1,178)	(1,400)	(1,610)
-Taxes on non-operating income	-	-	-	-	-	-	-
+ Tax benefits from interest on leases	595	770	420	-	-	-	-
Cash Operating Taxes	$2,913	$4,290	$7,102	$6,008	$3,963	$5,864	$8,273
NOPAT	$6,694	$9,926	$18,215	$19,682	$18,711	$24,726	$34,189
Book value of common equity	$123,302	$140,633	$190,718	$212,512	$208,798	$238,760	$277,857
+Preferred stock	-	-	-	-	-	-	-
+Minority interest	-	-	-	-	-	-	-
+Deferred tax liabilities	-	-	-	-	-	-	-
+LIFO reserve	-	-	-	-	-	-	-
+Accumulated amortization expense	-	-	-	-	-	-	-
+Interest-bearing short-term debt	-	-	-	-	-	-	-
+Long-term debt	-	-	-	-	-	-	-
+Capitalized lease obligations	-	-	-	-	-	-	-
+PV of operating leases (1)	24,286	31,429	17,143	-	-	-	-
-Excess cash, cash equivalents & securities	(56,002)	(101,522)	(96,633)	(114,235)	(116,743)	(130,423)	(165,770)
-Deferred tax assets	-	-	-	-	-	-	-
Invested Capital	$91,586	$70,540	$111,228	$98,277	$92,055	$108,337	$112,087
Return On Invested Capital	7.3%	14.1%	16.4%	20.0%	20.3%	22.8%	30.5%

Source: SG Cowen & Co.

Power Integrations Ratio Analysis

	POWI 02-Feb-06 December Year-End	2001	2002	2003	2004	2005	2006E	2007E
	Per Share:							
	Cash flow from operations	$0.56	$1.07	$0.64	$0.93	$1.25	$0.87	$1.32
	Cash, cash equivalents, and securities	$2.65	$3.71	$3.63	$4.15	$4.24	$4.83	$5.75
	Book value	$4.25	$4.77	$6.00	$6.56	$6.78	$7.55	$8.36
	Tangible book value	$4.25	$4.77	$6.00	$6.56	$6.78	$7.55	$8.36
	Liquidity Ratios:							
	Current ratio	9.7	6.9	7.6	7.8	7.0	7.1	7.7
	Quick ratio	7.6	6.2	6.5	6.7	6.2	6.3	6.9
	Leverage:							
	Cash to equity	62.3%	77.8%	60.5%	63.3%	62.5%	64.0%	68.8%
	Assets to equity	110.0%	115.0%	110.7%	110.8%	111.4%	111.9%	111.4%
	Assets to equity (excl. cash)	126.6%	167.4%	127.1%	129.4%	130.3%	133.1%	136.7%
	Turnover:							
	Asset turnover	0.7x	0.7x	0.6x	0.6x	0.6x	0.6x	0.6x
	Asset turnover, excluding cash	1.6x	2.1x	1.3x	1.4x	1.4x	1.5x	1.6x
	Accounts receivable turnover	18.4x	12.7x	12.2x	11.2x	10.7x	7.8x	7.8x
	Inventory turnover	2.2x	4.0x	2.7x	2.8x	3.9x	3.7x	3.7x
	Accounts payable turnover	11.0x	7.9x	7.9x	8.3x	14.4x	13.4x	13.5x
	Cash Conversion Cycle:							
	Days sales outstanding	20	29	30	33	34	47	47
	Days inventory	168	90	134	130	92	100	99
	Days payable	33	46	46	44	25	27	27
	Cash conversion cycle (days)	155	73	118	118	101	120	118
	Pre-Tax Return On Assets:							
	Operating margin (EBIT/Sales)	8.4%	11.1%	19.2%	18.8%	15.7%	18.3%	22.6%
x	Asset turnover (Sales/Assets)	0.7x	0.7x	0.6x	0.6x	0.6x	0.6x	0.6x
=	**Pre-Tax ROA**	**5.8%**	**7.4%**	**11.4%**	**10.9%**	**9.8%**	**11.5%**	**13.7%**
x	Tax burden (NI/EBT)	70%	70%	72%	76%	80%	79%	79%
=	**Return On Assets**	**4.1%**	**5.2%**	**8.2%**	**8.3%**	**7.8%**	**9.0%**	**10.8%**
	Pre-Tax Return On Assets (excl. cash):							
	Operating margin (EBIT/Sales)	8.4%	11.1%	19.2%	18.8%	15.7%	18.3%	22.6%
x	Asset turnover (Sales/Assets), excluding cash	1.6x	2.1x	1.3x	1.4x	1.4x	1.5x	1.6x
=	**Pre-Tax ROA**	**13.4%**	**23.0%**	**25.2%**	**25.5%**	**22.2%**	**26.8%**	**35.8%**
x	Tax burden (NI/EBT)	70%	70%	72%	76%	80%	79%	79%
=	**Return On Assets, excluding cash**	**9.4%**	**16.1%**	**18.1%**	**19.4%**	**17.8%**	**21.2%**	**28.3%**
	Return On Equity:							
x	Operating margin (EBIT/Sales)	8.4%	11.1%	19.2%	18.8%	15.7%	18.3%	22.6%
x	Interest benefit (EBT/EBIT)	122%	114%	104%	104%	115%	113%	111%
x	Tax burden (NI/EBT)	70%	70%	72%	76%	80%	79%	79%
x	Asset turnover (Sales/Assets)	0.7x	0.7x	0.6x	0.6x	0.6x	0.6x	0.6x
x	Leverage (Assets/S.E.)	110%	115%	111%	111%	111%	112%	111%
=	**ROE**	**-5.5%**	**-6.8%**	**9.5%**	**9.6%**	**10.0%**	**11.4%**	**13.4%**

Source: SG Cowen & Co.

Addendum

COMPANIES MENTIONED IN THIS REPORT

Ticker	Company Name
POWI	Power Integrations

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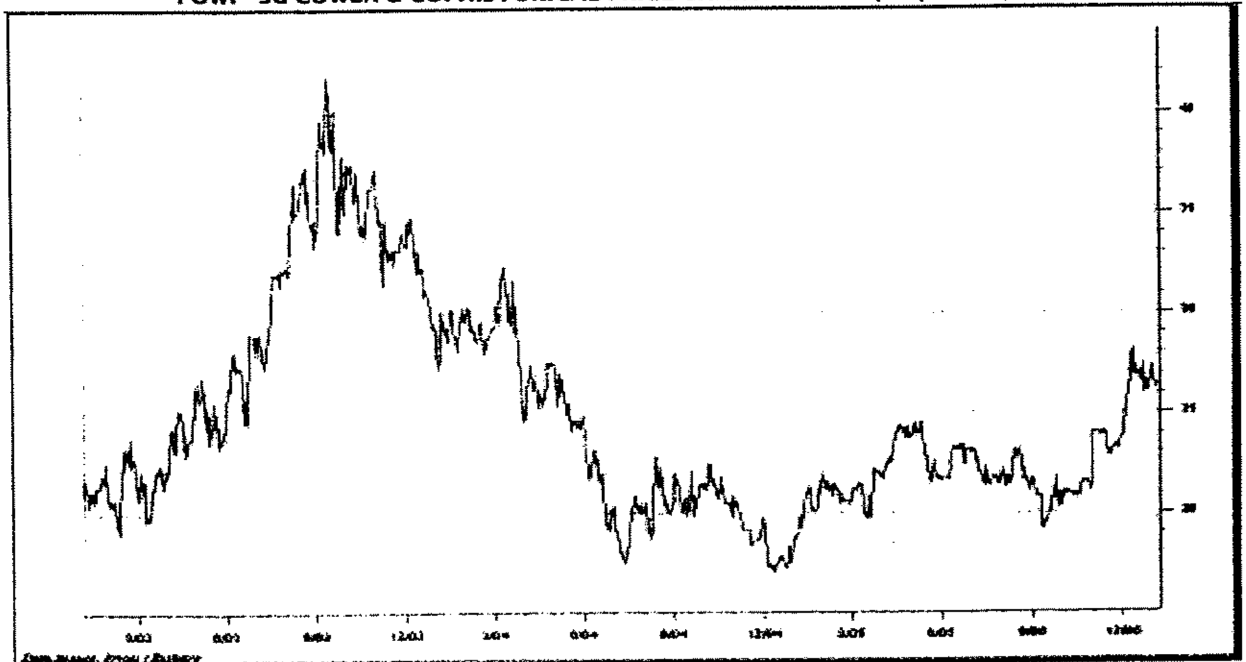
Rating	Definition
Strong Buy (1)	Stock expected to outperform the S&P 500 by over 25%
Outperform (2)	Stock expected to outperform the S&P 500 by 10-25%
Market Perform (3)	Stock expected to out/underperform the S&P 500 by +/-10%
Underperform (4)	Stock expected to underperform the S&P 500 by at least 10%

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

POWI—SG COWEN & CO. HISTORICAL PRICE CHART AS OF 02/02/2006 (US$)



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Lauren E. Maguire

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

POWER INTEGRATIONS, INC., Plaintiff,	)	
v.	)	C.A. No. 04-1371-JJF
FAIRCHILD SEMICONDUCTOR INTERNATIONAL, INC., and FAIRCHILD SEMICONDUCTOR CORPORATION, Defendants.	)	

NOTICE OF SERVICE

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Dated: February 21, 2006
149865.1

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/s/ *Lauren E. Maguire*

Lauren E. Maguire

Discovery Documents

1:04-cv-01371-JJF Power Integrations v. Fairchild Semicond., et al

U.S. District Court

District of Delaware

Notice of Electronic Filing

The following transaction was received from Maguire, Lauren entered on 2/21/2006 at 6:46 PM EST and filed on 2/21/2006

Case Name: Power Integrations v. Fairchild Semicond., et al
Case Number: 1:04-cv-1371
Filer: Fairchild Semiconductor International, Inc.
Fairchild Semiconductor Corporation
Document Number: 195

Docket Text:
NOTICE OF SERVICE of Notice of Subpoena of SG Cowan & Co. Pursuant to Federal Rule of Civil Procedure 45 by Fairchild Semiconductor International, Inc., Fairchild Semiconductor Corporation. (Maguire, Lauren)

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[2572cef97a7319095635e9325e2b2b36a5c25361d3658f2a3263940ff1ece9cf4f0a
625c5a8906588f6f8f1076a38c802360e63fcb750fa2c1a329c8629ba970]]

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